



INTERIM REPORT TO SHAREHOLDERS FOR THE SIX MONTHS ENDED

JUNE 30, 1978

FINLAYSON ENTERPRISES LTD.

Sales increased 10% in the first half of the year 1978 as compared to the similar period last year, with the fragrance and domestic textile divisions showing the best improvement. As a result the net loss in the first half of the year was lower than the previous year.

Deficiency per Common Share after providing

for dividends on Preferred Shares

15,527

33,924

\$0.44

\$0.676

Operating expenses have stabilized somewhat but are considerably higher in our new premises than those prevailing some years previous. Current inflationary trends, particularly those resulting from the continued depreciation of the Canadian dollar versus the American dollar and the French franc, have forced us to increase prices.

For about two years the demand for our products has not increased greatly but we have noticed an improvement in the past few months. If this trend continues during the last half of the year, combined with the usual seasonal sales gain, we expect increased profit in 1978, over 1977, more in line with our normal expectations.

R. W. FINLAYSON,

President



Finlayson Enterprises Ltd.

Consolidated Statement of Profit and Loss (Unaudited)

Loss on Operations Income Taxes refundable \$4,040,259 June 30, 1978 41,705 26,178 Six Months Ended \$3,680,773 June 30, 1977 57,147 23,223

Consolidated Statement of Changes in Financial Position (Unaudited)

Consolidated Working Capital at End of Period	Consolidated Working Capital at Beginning of Period	Decrease in Consolidated Working Capital	Total Funds Applied	Increase in Cash Value of Life Insurance Policies	Dividends: Preferred Shares	Net Acquisition of Fixed Assets	Application of Funds	Funds provided from operations	Deferred Income Tax	Add: Depreciation, a non-cash outlay	Consolidated Net Loss	Source of Funds		
\$1,4	1,4	\$	59			₩		59			\$		June :	
\$1,407,797	1,425,638	(\$ 17,841)	34,557	1,200	18,676	14,681		\$ 16,716	(6,831)	39,074	15,527)		June 30, 1978	Six Months Ended
\$1		\$	65	l		69		69	1		\$		Jun	ths Enc
\$1,326,798	1,525,445	(\$ 198,647)	\$ 201,602	1,873	18,676	\$ 181,053		2,955	1	36,879	(\$ 33,924)		June 30, 1977	led